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**CITY OF PORT GIBSON, MISSISSIPPI**

Financial Statements, Additional Information,  
Internal Control and Compliance, and  
Management Letter

Year Ended September 30, 2003

with

Independent Auditor's Reports

**MAYOR**  
AMELDA ARNOLD

**CITY CLERK**  
VANESSA WATERS

**BOARD OF ALDERMEN**  
WARD 1 EDDIE WALLS, JR.  
WARD 2 VERA JOHNSON  
WARD 3 KENNETH DAVIS  
WARD 4 THOMAS RUSSUM  
WARD 5 LESLIE CASE  
WARD 6 MICHAEL A. WHITE



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## *City of Port Gibson, Mississippi*

June 30, 2004

Office of the State Auditor  
Post Office Box 956  
Jackson, Mississippi 39205

RE: Annual Municipal Audit

Department of Technical Assistance:

Accompanying this letter are two copies and an electronic copy of the annual audit of the City of Port Gibson, Mississippi, for the fiscal year ended September 30, 2003. Enclosed within this report is the management letter written to the City.

Very truly yours,

Amelda Arnold  
Mayor

"THE TOWN TOO BEAUTIFUL TO BURN" - GEN. U.S. GRANT, MAY 1, 1863

Monday, June 28, 2004.max

Monday, June 28, 2004 (2).max

**CITY OF PORT GIBSON, MISSISSIPPI  
FINANCIAL STATEMENTS, ADDITIONAL INFORMATION,  
INTERNAL CONTROL AND COMPLIANCE, AND MANAGEMENT LETTER  
YEAR ENDED SEPTEMBER 30, 2003**

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**CITY OF PORT GIBSON, MISSISSIPPI  
FINANCIAL STATEMENTS, ADDITIONAL INFORMATION,  
INTERNAL CONTROL AND COMPLIANCE, AND MANAGEMENT LETTER  
YEAR ENDED SEPTEMBER 30, 2003**

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## **SECTION I - GENERAL PURPOSE FINANCIAL STATEMENTS**



## **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION**

Honorable Mayor and Board of Alderpersons  
City of Port Gibson  
Port Gibson, Mississippi

We have audited the accompanying general purpose financial statements of the City of Port Gibson, Mississippi, as of and for the year ended September 30, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of the City of Port Gibson's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Port Gibson, Mississippi, as of September 30, 2003, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2003, on our consideration of the City of Port Gibson's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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Monday, June 28, 2004 (2).max



Honorable Mayor and Board of Alderpersons  
City of Port Gibson

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general-purpose financial statements of the City of Port Gibson. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the general purpose financial statements of the City of Port Gibson. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary & Company".

Vicksburg, Mississippi  
November 30, 2003

## **FINANCIAL STATEMENTS**

**CITY OF PORT GIBSON, MISSISSIPPI**  
**COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS**  
**SEPTEMBER 30, 2003**  
**(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2002)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>ASSETS AND OTHER DEBITS</b>				
Assets:				
Cash	\$ 10,027	\$ 115,670	\$ 0	\$ 1
Cash restricted	0	0	0	0
Investments	208,473	0	0	0
Taxes receivables (net of allowances for uncollectibles)	136,000	0	0	0
Other receivables	10,997	0	0	0
Prepaid expenses	0	0	0	0
Due from other funds	191,905	5,500	0	37,688
Due from other government	21,353	116,294	0	0
Fixed assets (net of accumulated depreciation where applicable)	0	0	0	0
Amount to provide for retirement of long term debt	0	0	0	0
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b>\$ 578,755</b>	<b>\$ 237,464</b>	<b>\$ 0</b>	<b>\$ 37,689</b>
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>				
Liabilities:				
Accounts payable	\$ 0	\$ 195,407	\$ 0	\$ 0
Overdrafts	67,603	0	0	0
Capital lease payable	0	0	0	0
Other payables	8,844	0	0	0
Due to other funds	43,188	127,694	0	0
Deferred revenues	198,755	0	0	0
Customer deposits	0	0	0	0
Total liabilities	318,390	323,101	0	0
Equity and Other Credits:				
Investment in general fixed assets	0	0	0	0
Contributed capital	20,000	0	0	0
Retained earnings:				
Unreserved	0	0	0	0
Fund balances:				
Unreserved:				
Undesignated	240,365	(85,637)	0	37,689
Total equity and other credits	260,365	(85,637)	0	37,689
<b>TOTAL LIABILITIES, EQUITY AND OTHER CREDITS</b>	<b>\$ 578,755</b>	<b>\$ 237,464</b>	<b>\$ 0</b>	<b>\$ 37,689</b>

See accompanying notes to financial statements.

## EXHIBIT A

Proprietary Fund Type Enterprise	Account Groups		Total (Memo Only) September 30, 2003	Total (Memo Only) September 30, 2002
	General Fixed Assets	General Long-Term Debt		
\$ 8,782	\$ 0	\$ 0	\$ 134,480	\$ 21,496
71,190	0	0	71,190	71,985
0	0	0	208,473	580,080
0	0	0	136,000	171,744
75,652	0	0	86,649	107,001
0	0	0	0	7,109
0	0	0	235,093	67,812
0	0	0	137,647	27,606
1,165,676	8,359,356	0	9,525,032	9,070,880
<u>0</u>	<u>0</u>	<u>29,249</u>	<u>29,249</u>	<u>16,526</u>
<u>\$ 1,321,300</u>	<u>\$ 8,359,356</u>	<u>\$ 29,249</u>	<u>\$ 10,563,813</u>	<u>\$ 10,142,239</u>
\$ 4,740	\$ 0	\$ 0	\$ 200,147	\$ 68,641
0	0	0	67,603	19,966
28,985	0	29,249	58,234	33,052
0	0	0	8,844	3,482
64,211	0	0	235,093	67,812
0	0	0	198,755	204,738
<u>74,745</u>	<u>0</u>	<u>0</u>	<u>74,745</u>	<u>74,297</u>
<u>172,681</u>	<u>0</u>	<u>29,249</u>	<u>843,421</u>	<u>471,988</u>
0	8,359,356	0	8,359,356	7,913,966
164,070	0	0	184,070	184,070
984,549	0	0	984,549	1,024,186
<u>0</u>	<u>0</u>	<u>0</u>	<u>192,417</u>	<u>548,029</u>
<u>1,148,619</u>	<u>8,359,356</u>	<u>0</u>	<u>9,720,392</u>	<u>9,670,251</u>
<u>\$ 1,321,300</u>	<u>\$ 8,359,356</u>	<u>\$ 29,249</u>	<u>\$ 10,563,813</u>	<u>\$ 10,142,239</u>

**CITY OF PORT GIBSON, MISSISSIPPI  
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
YEAR ENDED SEPTEMBER 30, 2003  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2002)**

	<u>Governmental</u>	
	<u>General</u>	<u>Special Revenue</u>
<b>REVENUES:</b>		
General property taxes	\$ 187,199	\$ 0
Licenses and permits	62,886	0
State grants	30,567	6,425
Federal grants	0	436,244
State shared revenues	953,630	0
Charges for utility services	182,865	0
Fines and forfeits	32,292	0
Interest earnings	13,754	0
Rents and royalties	67,923	0
Settlements from lawsuits	0	0
Miscellaneous	<u>5,082</u>	<u>0</u>
Total revenues	<u>1,536,198</u>	<u>442,669</u>
<b>EXPENDITURES:</b>		
Current:		
General Government:		
Personnel services	211,329	0
Supplies	20,767	0
Other services and charges	<u>228,382</u>	<u>48,407</u>
Total	<u>460,478</u>	<u>48,407</u>
Public Safety:		
Personnel services	518,527	0
Supplies	43,052	0
Other services and charges	<u>63,487</u>	<u>0</u>
Total	<u>625,066</u>	<u>0</u>
Public Works:		
Personnel services	297,609	0
Supplies	83,666	0
Other services and charges	<u>220,311</u>	<u>0</u>
Total	<u>601,586</u>	<u>0</u>
Culture and Recreation:		
Personnel services	<u>62,179</u>	<u>0</u>
Total	<u>62,179</u>	<u>0</u>

Continued

## EXHIBIT B

Fund Types		Total (Memo Only) September 30, 2003	Total (Memo Only) September 30, 2002
Debt Service	Capital Projects		
\$ 0	\$ 0	\$ 187,199	\$ 168,535
0	0	62,886	84,070
0	0	36,992	6,148
0	0	436,244	55,125
0	0	953,630	961,271
0	0	182,865	184,219
0	0	32,292	35,463
0	0	13,754	17,422
0	0	67,923	65,697
0	0	0	200,000
0	0	5,082	9,650
0	0	1,978,867	1,787,600
0	0		
0	0	211,329	207,653
0	0	20,767	18,964
0	0	276,789	158,657
0	0	508,885	385,274
0	0		
0	0	518,527	438,722
0	0	43,052	47,195
0	0	63,487	65,649
0	0	625,066	551,566
0	0		
0	0	297,609	273,557
0	0	83,666	86,440
0	0	220,311	186,148
0	0	601,586	546,145
0	0		
0	0	62,179	32,504
0	0	62,179	32,504

**CITY OF PORT GIBSON, MISSISSIPPI**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES - CONTINUED**  
**YEAR ENDED SEPTEMBER 30, 2003**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2002)**

	<u>Governmental</u>	
	<u>General</u>	<u>Special Revenue</u>
<b>EXPENDITURES - CONTINUED:</b>		
Capital outlay:		
Current expenditures	<u>63,433</u>	<u>491,825</u>
Total	<u>63,433</u>	<u>491,825</u>
Total expenditures	<u>1,812,742</u>	<u>540,232</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(276,544)</u>	<u>(97,563)</u>
<b>OTHER FINANCING SOURCES (USES):</b>		
Operating transfers in	0	23,963
Operating transfers out	(23,963)	0
Capital lease proceeds	17,245	0
Sale of general fixed assets	<u>1,250</u>	<u>0</u>
Total other financing sources (uses)	<u>(5,468)</u>	<u>23,963</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	(282,012)	(73,600)
<b>FUND BALANCES, beginning of year</b>	<u>542,377</u>	<u>(12,037)</u>
<b>FUND BALANCES, end of year</b>	<u>\$ 260,365</u>	<u>\$ (85,637)</u>

See accompanying notes to financial statements.

## EXHIBIT B - CONTINUED

<u>Fund Types</u>		<u>Total (Memo Only) September 30, 2003</u>	<u>Total (Memo Only) September 30, 2002</u>
<u>Debt Service</u>	<u>Capital Projects</u>		
<u>0</u>	<u>0</u>	<u>555,258</u>	<u>383,300</u>
<u>0</u>	<u>0</u>	<u>555,258</u>	<u>383,300</u>
<u>0</u>	<u>0</u>	<u>2,352,974</u>	<u>1,898,789</u>
<u>0</u>	<u>0</u>	<u>(374,107)</u>	<u>(111,189)</u>
0	0	23,963	77,681
0	0	(23,963)	(39,583)
0	0	17,245	0
<u>0</u>	<u>0</u>	<u>1,250</u>	<u>7,803</u>
<u>0</u>	<u>0</u>	<u>18,495</u>	<u>45,901</u>
0	0	(355,612)	(65,288)
<u>0</u>	<u>37,689</u>	<u>568,029</u>	<u>633,318</u>
<u>\$ 0</u>	<u>\$ 37,689</u>	<u>\$ 212,417</u>	<u>\$ 568,030</u>



**CITY OF PORT GIBSON, MISSISSIPPI  
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL -  
ALL GOVERNMENTAL FUND TYPES  
YEAR ENDED SEPTEMBER 30, 2003**

	General Fund		Variance
	Budget	Actual	Favorable (Unfavorable)
<b>REVENUES:</b>			
General property taxes	\$ 170,000	\$ 216,960	\$ 46,960
Licenses and permits	80,000	78,302	(1,698)
State grants	6,000	30,567	24,567
Federal grants	0	0	0
State shared revenues	950,000	956,346	6,346
Charges for utility services	185,000	182,865	(2,135)
Fines and forfeits	20,000	32,292	12,292
Interest earnings	10,000	13,754	3,754
Rents and royalties	65,000	67,923	2,923
Miscellaneous	3,000	5,083	2,083
Total revenues	<u>1,489,000</u>	<u>1,584,092</u>	<u>95,092</u>
<b>EXPENDITURES:</b>			
Current:			
General Government:			
Personnel services	230,600	211,329	19,271
Supplies	18,540	20,767	(2,227)
Other services and charges	<u>175,000</u>	<u>222,125</u>	<u>(47,125)</u>
Total	<u>424,140</u>	<u>454,221</u>	<u>(30,081)</u>
Public Safety:			
Personnel services	437,450	518,527	(81,077)
Supplies	46,350	43,052	3,298
Other services and charges	<u>77,250</u>	<u>63,486</u>	<u>13,764</u>
Total	<u>561,050</u>	<u>625,065</u>	<u>(64,015)</u>
Public Works:			
Personnel services	278,890	297,609	(18,719)
Supplies	77,250	83,666	(6,416)
Other services and charges	<u>206,000</u>	<u>220,311</u>	<u>(14,311)</u>
Total	<u>562,140</u>	<u>601,586</u>	<u>(39,446)</u>
Culture and Recreation:			
Personnel services	<u>66,000</u>	<u>66,562</u>	<u>(562)</u>
Total	<u>66,000</u>	<u>66,562</u>	<u>(562)</u>

Continued

Special Revenue Fund		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0
0	0	0
0	0	0
200,500	335,413	134,913
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
<u>0</u>	<u>0</u>	<u>0</u>
<u>200,500</u>	<u>335,413</u>	<u>134,913</u>

0	0	0
0	0	0
<u>53,714</u>	<u>48,409</u>	<u>5,305</u>
<u>53,714</u>	<u>48,409</u>	<u>5,305</u>

0	0	0
0	0	0
<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>

0	0	0
0	0	0
<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>

<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>

Debt Service Fund		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>

0	0	0
0	0	0
<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>

0	0	0
0	0	0
<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>

0	0	0
0	0	0
<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>

<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>

**CITY OF PORT GIBSON, MISSISSIPPI  
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL -  
ALL GOVERNMENTAL FUND TYPES - CONTINUED  
YEAR ENDED SEPTEMBER 30, 2003**

	<u>General Fund</u>		Variance
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
<b>EXPENDITURES - CONTINUED:</b>			
Capital outlay:			
Current expenditures	<u>85,000</u>	<u>63,433</u>	<u>21,567</u>
Total	<u>85,000</u>	<u>63,433</u>	<u>21,567</u>
Total expenditures	<u>1,698,330</u>	<u>1,810,867</u>	<u>(112,537)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(209,330)</u>	<u>(226,775)</u>	<u>(17,445)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating transfers in	0	0	0
Operating transfers out	(157,600)	(23,963)	133,637
Capital lease proceeds	0	17,245	17,245
Sale of general fixed assets	<u>0</u>	<u>1,250</u>	<u>1,250</u>
Total other financing sources (uses)	<u>(157,600)</u>	<u>(5,468)</u>	<u>152,132</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u>(366,930)</u>	<u>(232,243)</u>	<u>134,687</u>
<b>FUND BALANCES, beginning of year</b>	<u>542,377</u>	<u>542,377</u>	<u>0</u>
<b>FUND BALANCES, end of year</b>	<u>\$ 175,447</u>	310,134	<u>\$ 134,687</u>
Adjustment to GAAP basis –			
To adjust revenue for property taxes		(29,761)	
To adjust revenue for franchise charges		(15,416)	
To adjust revenue for state shared revenue		(2,716)	
To adjust expenditures		4,381	
To adjust for prepaid insurance		(6,257)	
To adjust revenues for grant receipts			
<b>FUND BALANCE (GAAP), September 30, 2003</b>		<u>\$ 260,365</u>	

See accompanying notes to financial statements.

## EXHIBIT C - CONTINUED

Special Revenue Fund			Debt Service Fund		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>311,100</u>	<u>381,956</u>	<u>(70,856)</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>311,100</u>	<u>381,956</u>	<u>(70,856)</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>364,814</u>	<u>430,365</u>	<u>(65,551)</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>(164,314)</u>	<u>(94,952)</u>	<u>69,362</u>	<u>0</u>	<u>0</u>	<u>0</u>
157,600	23,963	(133,637)	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>157,600</u>	<u>23,963</u>	<u>(133,637)</u>	<u>0</u>	<u>0</u>	<u>0</u>
(6,714)	(70,989)	(64,275)	0	0	0
<u>(12,037)</u>	<u>(12,037)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$ (18,751)</u>	<u>(83,026)</u>	<u>\$ (64,275)</u>	<u>\$ 0</u>	<u>0</u>	<u>\$ 0</u>
	0			0	
	0			0	
	0			0	
	(109,867)			0	
	0			0	
	<u>107,256</u>			<u>0</u>	
	<u>\$ (85,637)</u>			<u>\$ 0</u>	

**CITY OF PORT GIBSON, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN RETAINED EARNINGS - PROPRIETARY FUND**  
**YEAR ENDED SEPTEMBER 30, 2003**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2002)**

	<u>Enterprise</u>	
		(Memo Only)
	<u>2003</u>	<u>2002</u>
<b>OPERATING REVENUES:</b>		
Metered sales	\$ 392,320	\$ 378,526
Other sales	<u>20,425</u>	<u>31,696</u>
Total operating revenues	<u>412,745</u>	<u>410,222</u>
<b>OPERATING EXPENSES:</b>		
Personnel services	190,999	183,991
Contractual and professional services	21,165	83,269
Other supplies and expenses	80,889	63,318
Repairs and maintenance	13,192	12,509
Insurance claims and expenses	2,948	6,133
Utilities	51,899	42,990
Depreciation	79,041	57,833
Bad debt	<u>12,111</u>	<u>1,450</u>
Total operating expenses	<u>452,244</u>	<u>451,493</u>
Operating loss	<u>(39,499)</u>	<u>(41,271)</u>
<b>NON-OPERATING REVENUES:</b>		
Interest expense	(1,243)	(915)
Interest earnings	<u>1,105</u>	<u>1,116</u>
Total non-operating revenues	<u>(138)</u>	<u>201</u>
Loss before operating transfers	(39,637)	(41,070)
<b>TRANSFERS OUT</b>	<u>0</u>	<u>(38,098)</u>
Net loss	(39,637)	(79,168)
<b>RETAINED EARNINGS, beginning of year</b>	<u>1,024,186</u>	<u>1,103,354</u>
<b>RETAINED EARNINGS, end of year</b>	<u>\$ 984,549</u>	<u>\$ 1,024,186</u>

See accompanying notes to financial statements.

**CITY OF PORT GIBSON, MISSISSIPPI  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN RETAINED EARNINGS – BUDGET (NON GAAP BASIS)  
AND ACTUAL - PROPRIETARY FUND  
YEAR ENDED SEPTEMBER 30, 2003**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>OPERATING REVENUES:</b>			
Metered sales	\$ 400,000	\$ 391,754	\$ (8,246)
Other sales	<u>11,000</u>	<u>20,425</u>	<u>9,425</u>
Total operating revenues	<u>411,000</u>	<u>412,179</u>	<u>1,179</u>
<b>OPERATING EXPENSES:</b>			
Personnel services	190,400	190,999	(599)
Contractual and professional services	90,000	21,165	68,835
Other supplies and expenses	<u>43,260</u>	<u>235,530</u>	<u>(192,270)</u>
Total operating expenses	<u>323,660</u>	<u>447,694</u>	<u>(124,034)</u>
Operating income (loss)	<u>87,340</u>	<u>(35,515)</u>	<u>(122,855)</u>
<b>NON-OPERATING REVENUES:</b>			
Interest expense	0	(1,243)	(1,243)
Interest earnings	<u>1,500</u>	<u>1,106</u>	<u>(394)</u>
Total non-operating revenues	<u>1,500</u>	<u>(137)</u>	<u>(1,637)</u>
Income (loss) before operating transfers	88,840	(35,652)	(124,492)
<b>TRANSFERS OUT</b>	<u>0</u>	<u>0</u>	<u>0</u>
Net income (loss)	88,840	(35,653)	(124,493)
<b>RETAINED EARNINGS, beginning of year</b>	<u>1,024,186</u>	<u>1,024,186</u>	<u>0</u>
<b>RETAINED EARNINGS, end of year</b>	<u>\$ 1,113,026</u>	988,534	<u>\$ (124,492)</u>
Adjustment to GAAP basis –			
To adjust for capital outlay		87,803	
To adjust for prepaid insurance		(854)	
To adjust for depreciation		(79,041)	
To adjust for utility charges		566	
To adjust for debt payment		<u>(12,459)</u>	
<b>RETAINED EARNINGS (GAAP), September 30, 2003</b>		<u>\$ 984,549</u>	

See accompanying notes to financial statements.

**CITY OF PORT GIBSON, MISSISSIPPI**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND**  
**YEAR ENDED SEPTEMBER 30, 2003**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2002)**

	<u>Enterprise</u>	
		(Memo Only)
	<u>2003</u>	<u>2002</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Operating loss	\$ (39,499)	\$ (41,271)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	79,041	57,833
Gain on sale of fixed assets	0	(10,000)
(Increase) decrease in:		
Receivables	(566)	6,593
Due from other funds	4,414	(6,336)
Prepaid expenses	852	(853)
Increase (decrease) in:		
Accounts payable	(24,907)	13,477
Other payables	(667)	108
Due to other funds	49,672	16,461
Customer deposits	<u>449</u>	<u>412</u>
Net cash provided by operating activities	<u>68,789</u>	<u>36,424</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Purchase of fixed assets	(87,803)	(29,647)
Proceeds from sale of fixed assets	0	10,000
Operating transfers to other funds	<u>0</u>	<u>(38,098)</u>
Net cash used for capital and related financing activities	<u>(87,803)</u>	<u>(57,745)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest on deposit accounts	1,105	1,116
Proceeds from capital lease	17,245	0
Interest paid on capital lease	(1,243)	(915)
Principal payments on capital lease	<u>(4,786)</u>	<u>(2,966)</u>
Net cash provided by (used for) investing activities	<u>12,321</u>	<u>(2,765)</u>
Net decrease in cash and cash restricted	(6,693)	(24,086)
<b>CASH AND CASH RESTRICTED, at beginning of year</b>	<u>86,665</u>	<u>110,751</u>
<b>CASH AND CASH RESTRICTED, at end of year</b>	<u>\$ 79,972</u>	<u>\$ 86,665</u>

See accompanying notes to financial statements.

**CITY OF PORT GIBSON, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2003**

**NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting and reporting policies of the City relating to the funds and account groups included in the accompanying combined financial statements conform to generally accepted accounting principles (GAAP) applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). As allowed in Section P80 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, the City has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The following is a summary of the more significant policies:

**1. Reporting Entity:**

The City's combined financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City

The Preservation Committee and the Tree Board, if they were to have revenues and expenditures, would be blended component units of the City's general purpose financial statements. Members of these boards are appointed by the City and the organizations would be funded by the City, if applicable.

Continued



**CITY OF PORT GIBSON, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
YEAR ENDED SEPTEMBER 30, 2003**

**NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**2. Basis of Presentation:**

The accounts of the City are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The transactions of each fund or account group are summarized by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures/expenses. Government resources are allocated to, and accounted for, in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

The various funds are grouped, in the financial statements in this report, into five generic fund types and two broad fund categories as follows:

Governmental Fund Types

Governmental Funds are those through which general governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related liabilities (except those accounted for in Proprietary Funds) are accounted for through Governmental Funds. The following are the City's Governmental Fund types:

*General Fund:*

The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Continued

**CITY OF PORT GIBSON, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
YEAR ENDED SEPTEMBER 30, 2003**

**NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**2. Basis of Presentation - Continued:**

*Special Revenue Funds:*

The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

*Debt Service Funds:*

The Debt Service Fund is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt. The fund balance of the Debt Service Fund is reserved to signify the amounts that are restricted exclusively for debt service expenditures.

*Capital Projects Fund:*

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by the proprietary fund).

Proprietary Fund Types

Proprietary Funds are accounted for on a flow of economic resources measurement focus. The accounting objectives are a determination of net income, financial position and changes in cash flow. All assets and liabilities associated with a Proprietary Fund's activities are included on its balance sheet. The following are the City's Proprietary Fund types:

*Enterprise Fund:*

The Enterprise Fund is used for activities which are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. This fund includes the Water Department.

Continued

**CITY OF PORT GIBSON, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
YEAR ENDED SEPTEMBER 30, 2003**

**NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**2. Basis of Presentation - Continued:**

Account Groups

Account groups are used to establish accounting control and accountability for the City's general fixed assets and general long-term debt obligations. The two account groups are not "funds." They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

*General Fixed Assets Account Group:*

This account group is established to account for all fixed assets of the City, other than those assets accounted for in the Proprietary Funds. Capital outlays in funds other than Proprietary Funds are recorded as expenditures of those funds at the time of purchase and are subsequently recorded for control purposes in the General Fixed Assets Account Group.

*General Long-Term Debt Account Group:*

This account group is established to account for all of the City's long-term debt that will be financed from general governmental resources. Long-term liabilities of all Proprietary Funds are accounted for in those funds.

**3. Measurement Focus/Basis of Accounting:**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Continued

**CITY OF PORT GIBSON, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
YEAR ENDED SEPTEMBER 30, 2003**

**NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**3. Measurement Focus/Basis of Accounting - Continued:**

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Those revenues susceptible to accrual are property taxes, state shared revenue, federal grants, charges for utility services, sales taxes and interest. The City considers revenues available if they are collected within 60 days of year end. Fines, licenses, permits, rents and royalties are not susceptible to accrual because generally they are not measurable until received in cash.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on general long-term debt, which is recognized when due.

All proprietary funds are accounted for on an economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

All proprietary fund types are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, including unbilled water services which are accrued. Expenses are recorded at the time liabilities are incurred.

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period.

Continued

**CITY OF PORT GIBSON, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
YEAR ENDED SEPTEMBER 30, 2003**

**NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**3. Measurement Focus/Basis of Accounting - Continued:**

Deferred revenues consist primarily of prepaid rent and property taxes expected to be collected outside the availability period. Deferred revenues also arise when resources are received by the City before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

**4. Budgetary Practices:**

Annually in September, the City adopts budgets on all governmental funds and proprietary funds. The budgetary practices include public notice of the proposed budgets, public inspections of the proposed budgets, and public hearings on the budgets. The budget is employed as a management control device during the year. All funds are adopted on a cash basis except for expenditures paid within thirty days of fiscal year end. Budgeted amounts included in the accompanying financial statements include original adopted budget amounts and all subsequent amendments. Appropriations lapse at the end of each fiscal year. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration.

**5. Fixed Assets:**

General Fixed Assets Account Group

Fixed assets used in governmental fund type operations are recorded as expenditures at the time purchased or constructed and the related assets are capitalized (reported) in the General Fixed Assets Account Group, rather than in governmental funds. Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, are capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets. Interest has not been capitalized on fixed assets in the Governmental Fund Type operations.

Continued

**CITY OF PORT GIBSON, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
YEAR ENDED SEPTEMBER 30, 2003**

**NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**5. Fixed Assets - Continued:**

All fixed assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated assets are valued at their fair market value on the date donated.

Enterprise Fund

Additions are recorded at cost or, if contributed property, at their estimated fair value at time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of fixed assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income. Interest has not been capitalized during the construction period on fixed assets in the enterprise fund.

Depreciation of all exhaustible fixed assets used by a proprietary fund is charged as an expense against their operations. Depreciation expense of \$79,041 was included in operations for the year ended September 30, 2003. Accumulated depreciation is reported on the proprietary fund balance sheet. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Water System Improvements	30 years
Water System Equipment	10 years
Water System Computer	5 years
Water System Trucks and Autos	5 years

**6. Compensated Absences:**

Employees accumulate vacation and sick leave at the rate of one day per month, with a maximum of ten days per fiscal year. However, unused leave days may not be carried over, nor do they vest. Accordingly, no accrual has been provided for compensated absences in the general purpose financial statements.

Continued

**CITY OF PORT GIBSON, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
YEAR ENDED SEPTEMBER 30, 2003**

**NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**7. Property Taxes:**

Property taxes are levied in September and are payable by the following February 1. Property taxes attach as an enforceable lien on property as of January 1. Property tax revenues are recognized when they are levied. An allowance is established for delinquent taxes to the extent that their collectibility is doubtful. Property taxes are recorded as receivables and deferred revenues at the time the tax levy is billed. Revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with generally accepted accounting principles have been recognized as revenue.

The City passed and adopted a 19-millage tax levy for the fiscal years 01-02 and 02-03 for all governmental funds of the City.

**8. Interfund Transactions:**

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. The City allocates to several funds a percentage of the salaries and wages and related costs of personnel who perform general and administrative services for such funds but are paid through the General Fund.

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions occur.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**9. Total Columns on Combined Statements – Overview:**

Total columns of the combined financial statements are captioned "Memo Only" to indicate that they are presented only to facilitate analysis. Data in these columns do not present financial position, results of operations, or changes in cash flows in conformity with generally accepted accounting

Continued

**CITY OF PORT GIBSON, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
YEAR ENDED SEPTEMBER 30, 2003**

**NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**9. Total Columns on Combined Statements – Overview – Continued:**

principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**10. Comparative Data:**

Comparative total data for the prior year has been presented in the accompanying financial statement in order to provide an understanding of changes in the City's financial position and operations. However, presentation of prior year totals by fund type has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

**11. Cash and Cash Equivalents:**

Cash Flows

For the purpose of the Statement of Cash Flows, the Enterprise Fund considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

**12. New Pronouncement:**

GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments makes dramatic changes to the way state and local governments report their finances to the public. Under the new financial reporting model, the general purpose financial statements and required supplementary information will include the following:

- Management's discussion and analysis (MD & A)
- Government wide financial statements
- Fund financial statements
- Notes to the financial statements
- Required supplementary information including budgetary comparison schedules, infrastructure condition data, and other data required by previous pronouncements, if applicable.

Continued



**CITY OF PORT GIBSON, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
YEAR ENDED SEPTEMBER 30, 2003**

**NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**12. New Pronouncement – Continued:**

GASB No. 34 becomes effective in phases based on an organization's total revenues for years ended after June 15, 1999. This statement will be effective for the City's fiscal year ending September 30, 2004.

**NOTE B. EXPENDITURES/EXPENSES - BUDGET AND ACTUAL**

For the year ended September 30, 2003, expenditures exceeded appropriations in the following individual funds:

<u>General Fund</u>	
General Government	\$ 30,081
Public Safety	\$ 64,015
Public Works	\$ 39,446
Culture and Recreation	\$ 562
<u>Proprietary Fund</u>	
Operating expenses	\$ 124,034

These over expenditures were funded by available fund balances.

**NOTE C. DEPOSITS**

**Deposits:**

At September 30, 2003, the carrying amount of total deposits is \$205,670; the bank balance is \$282,752.

**Certificates of Deposits:**

Certificate of deposits are stated at cost, which approximates market. The City's eligible investments, as designated by State statute, are limited to the investment of funds in excess of sums required for immediate expenditure or current obligations authorized as follows:

(1) Certificates of deposit with municipal depositories

State statute allows the investment of funds received from the sale of bonds, notes, or certificates of indebtedness which are not immediately required for disbursement for the purpose issued, in direct obligations issued by or guaranteed in full by the United States of America or in certificates of deposit. At September 30, 2003, the carrying amount of certificates of deposits is \$208,473.

Continued

**CITY OF PORT GIBSON, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
YEAR ENDED SEPTEMBER 30, 2003**

**NOTE C. DEPOSITS – CONTINUED**

Investments during the year were certificates of deposits, which were cashed or reinvested into similar certificates of deposit.

The collateral for public entities' deposits in financial institutions are now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the City's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against these deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

In accordance with the GASB Statement No. 3, deposits and certificates of deposits are classified into Category 1 custodial risk. Items in this category are insured or registered, or are securities held by the City or by its agent in the City's name.

**NOTE D. RESTRICTED CASH**

The City has restricted cash in the amount of \$71,190 set aside for refundable deposits required of water users.

**NOTE E. OTHER RECEIVABLES**

The other receivables at September 30, 2003 in the general fund consisted of franchise taxes of \$10,997. Other receivables for the enterprise fund consisted of \$83,850 in utility service receivables and an allowance of \$8,198 for doubtful accounts.

Continued

**CITY OF PORT GIBSON, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**YEAR ENDED SEPTEMBER 30, 2003**

**NOTE F. DUE FROM/TO OTHER FUNDS**

Individual balance due from/to other funds at September 30, 2003, is as follows:

	<u>Due From</u>	<u>Due To</u>
General	\$ 191,905	\$ 43,188
Special revenue	5,500	127,694
Capital projects	37,688	0
Enterprise	0	64,211
	<u>\$ 235,093</u>	<u>\$ 235,093</u>

**NOTE G. DUE FROM OTHER GOVERNMENT**

The amount due to the City from other government is sales tax due from the State in the amount of \$21,353. The amount due to the City from the State for grant reimbursement is \$116,294.

**NOTE H. FIXED ASSETS**

The details of general fixed assets are as follows:

	<u>September 30,</u> <u>2002</u>	<u>Additions</u>	<u>Retirements</u>	<u>September 30,</u> <u>2003</u>
Town hall and improvements	\$ 982,848	\$ 0	\$ 0	\$ 982,848
Other buildings	55,342	113,011	0	168,353
Industrial building	405,543	0	0	405,543
Natural gas system	529,943	0	0	529,943
Sewerage extension	120,230	0	0	120,230
Lagoon and sewerage - improvements	1,204,085	107,515	0	1,311,600
Deep well	523,101	0	0	523,101
Police building	87,172	770	0	87,942
Allen Motor Company property	50,000	0	0	50,000
Carpenter property	6,758	0	0	6,758
Police equipment	218,837	0	0	218,837
Fire equipment	68,994	0	0	68,994
Land	123,493	0	0	123,493
Office equipment	3,459	0	0	3,459
Street equipment	64,949	35,168	0	100,117
Street improvements	<u>3,469,212</u>	<u>188,926</u>	<u>0</u>	<u>3,658,138</u>
Total capital assets	<u>\$7,913,966</u>	<u>\$ 445,390</u>	<u>\$ 0</u>	<u>\$ 8,359,356</u>

Continued

**CITY OF PORT GIBSON, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
YEAR ENDED SEPTEMBER 30, 2003**

**NOTE H. FIXED ASSETS - CONTINUED**

A summary of the proprietary fund type property, plant and equipment is as follows:

	September 30, <u>2002</u>	<u>Additions</u>	<u>Retirements</u>	September 30, <u>2003</u>
Water distribution system	\$ 711,489	\$ 0	\$ 0	\$ 711,489
Treatment plant system	1,355,567	49,617	0	1,405,184
Machinery and equipment	164,031	38,186	0	202,217
Building improvements	<u>134,286</u>	<u>0</u>	<u>0</u>	<u>134,286</u>
	2,365,373	87,803	0	2,453,176
Less accumulated depreciation	<u>(1,208,459)</u>	<u>(79,041)</u>	<u>0</u>	<u>(1,287,500)</u>
Net	<u>\$1,156,914</u>	<u>\$ 8,762</u>	<u>\$ 0</u>	<u>\$ 1,165,676</u>

**NOTE I. DEFINED BENEFIT PENSION PLAN AND OTHER EMPLOYEE BENEFITS**

Plan Description: The City of Port Gibson contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy: PERS members are required to contribute 7.25% of their annual covered salary and City of Port Gibson is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City of Port Gibson's contributions to PERS for the years ending September 30, 2003, 2002 and 2000 were \$92,999, \$78,352, and \$68,697, respectively, equal to the required contributions for each year.

**NOTE J. SEGMENT INFORMATION**

The City maintains one enterprise fund (water fund), which is intended to be self-supporting through user fees charged for services to the public. Financial segment information as of and for the year ended September 30, 2003, is presented below.

Continued

**CITY OF PORT GIBSON, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
YEAR ENDED SEPTEMBER 30, 2003**

**NOTE J. SEGMENT INFORMATION – CONTINUED**

Segment information not listed can be obtained from the financial statements.

Operating revenues	\$ 412,745
Operating expenses excluding depreciation	\$ 373,203
Depreciation	\$ 79,041
Operating loss	\$ (39,499)
Non-operating revenues	\$ 1,105
Non-operating expenses	\$ (1,243)
Operating transfers	\$ 0
Net loss	\$ (39,637)
Property, plant and equipment:	
Additions	\$ 87,803
Retirements	\$ 0
Net working capital	\$ 11,928
Total assets	\$ 1,321,300
Capital contributed	\$ 164,070
Total equity	\$ 1,148,619

**NOTE K. CONTINGENCIES**

Litigation

Various claims and lawsuits are pending against the City. The potential loss on all claims and lawsuits are not material to the City's financial statements.

Grant Audit

The City receives State and Federal Grants for specific purposes that are subject to review and audit by Federal and State agencies. Such audits could result in a request for reimbursement by the Federal and State agencies for expenditures disallowed under the terms and conditions of the appropriate grant. In the opinion of City management, such disallowances, if any, will not be material.

**NOTE L. FUND BALANCE DEFICIT**

At September 30, 2003, the special revenue fund had a deficit fund balance of \$85,637. This amount is the result of an overage on the sidewalk project. The deficit will be covered by a transfer for the overage by the General Fund.

Continued

**CITY OF PORT GIBSON, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
YEAR ENDED SEPTEMBER 30, 2003**

**NOTE M. RISK MANAGEMENT**

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions, and natural disasters for which the government carries commercial insurance.

**NOTE N. FUND EQUITY**

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers, or other funds when such resources are restricted for the acquisition or construction of capital assets. Contributed capital is not amortized based on the depreciation recognized on that portion of the assets acquired or constructed from such resources.

**NOTE O. OBLIGATIONS UNDER CAPITAL LEASES**

Lease agreements for heavy equipment are considered capital leases for financial accounting purposes. The present values of the leases were determined by reference to the leasing contract, which detailed the finance charges included in the lease payments. Because the backhoe and dozer are used equally by both the water department and the street department, this equipment is recorded in the proprietary fund for \$36,999 and \$36,999 is recorded in the general fixed assets account group. For the year ended September 30, 2003, amortization expense, which is included in depreciation expense, related to the proprietary fund's portion of the asset was \$5,424 and accumulated amortization amounted to \$8,388. The interest cost expensed in the proprietary fund and in the general fund was \$1,243 and \$1,243 respectively.

The following is a schedule, by years, of the total payments due under the capital lease:

Year Ending September 30,	Present Value of Future Minimum Lease Payments	Interest and Maintenance Charges	Minimum Lease Payments
2004	\$33,586	\$1,801	\$31,785
2005	7,574	868	6,706
2006	7,574	615	6,959
2007	7,574	353	7,221
2008	<u>5,650</u>	<u>87</u>	<u>5,563</u>
Total	<u>\$61,958</u>	<u>\$3,724</u>	<u>\$58,234</u>

Interest rates range from 3.7400% to 5.50015% at reporting date.

Continued

**CITY OF PORT GIBSON, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
YEAR ENDED SEPTEMBER 30, 2003**

**NOTE P. CHANGES IN CONTRIBUTED CAPITAL**

The following is a summary of changes in contributed capital:

	<u>General</u>	<u>Enterprise</u>	<u>Total</u>
Balance at beginning	\$ 20,000	\$ 164,070	\$ 184,070
Additions	<u>0</u>	<u>0</u>	<u>0</u>
Balance at ending	<u>\$ 20,000</u>	<u>\$ 164,070</u>	<u>\$ 184,070</u>

**NOTE Q. COMMITMENTS**

In July, 2002, the City entered into an agreement with the State of Mississippi for a CAP loan agreement to comply with a matching funds requirement for a CDBG grant. As of the end of the fiscal year under audit, no proceeds have been advanced on this loan agreement.

## **ADDITIONAL INFORMATION**



**CITY OF PORT GIBSON, MISSISSIPPI  
SCHEDULE OF LONG-TERM DEBT  
SEPTEMBER 30, 2003**

<u>Definition and Purpose</u>	<u>Original Obligation</u>		Outstanding at October 1, 2002
	<u>Date</u>	<u>Amount</u>	
Lease obligations payable	July 17, 2002	\$39,508	\$ 33,052
Lease obligations payable	June 25, 2003	\$34,490	\$ 0

<u>Transactions during fiscal year</u>		<u>Outstanding at September 30, 2003</u>	<u>Payment Due</u>	<u>Interest Rates</u>
<u>Issued</u>	<u>Redeemed</u>			
\$ 0	\$ 7,730	\$ 25,322	Monthly through April, 2004	5.50015%
\$ 34,490	\$ 1,578	\$ 32,912	Monthly through June, 2008	3.74%

**CITY OF PORT GIBSON, MISSISSIPPI  
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS  
SEPTEMBER 30, 2003**

<u>Name</u>	<u>Position</u>	<u>Surety Company</u>	<u>Bond</u>
Amelda Arnold	Mayor	Fidelity and Deposit Insurance Company	\$25,000
Catherine Dodgen	City Clerk	Fidelity and Deposit Insurance Company	\$50,000
Vanessa Waters	Deputy City Clerk	Fidelity and Deposit Insurance Company	\$50,000
Calvin Jackson	Chief of Police	Fidelity and Deposit Insurance Company	\$50,000
Ronald Brown	Street & Water Commissioner	Fidelity and Deposit Insurance Company	\$50,000
Jennifer Anderson	Water Department Office Manger	Fidelity and Deposit Insurance Company	\$10,000
Thomas Russum	Alderman	Fidelity and Deposit Insurance Company	\$25,000
Eddie Walls, Jr.	Alderman	Fidelity and Deposit Insurance Company	\$25,000
Vera Johnson	Alderwoman	Great River Insurance Company	\$25,000
Kenneth Davis	Alderman	Great River Insurance Company	\$25,000
Robert L. Ritchey, Jr.	Alderman	Fidelity and Deposit Insurance Company	\$25,000
Michael White	Alderman	Fidelity and Deposit Insurance Company	\$25,000

**CITY OF PORT GIBSON  
SCHEDULE OF INVESTMENTS - ALL FUNDS  
SEPTEMBER 30, 2003**

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount</u>
General Fund-				
Certificate of Deposit	3/1/2003	3/1/2004	1.55%	\$ 108,473
Certificate of Deposit	2/27/2003	12/27/2004	2.89%	<u>100,000</u>
Total investments				<u>\$ 208,473</u>

**CITY OF PORT GIBSON, MISSISSIPPI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED SEPTEMBER 30, 2003**

<b>Federal Grantor/Pass-through Grantor or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-through Entity Identifying Number</b>	<b>Federal Expenditures</b>
U.S. Department of Housing and Urban Development:			
Pass-through program from Mississippi			
Development Authority, Community Service Division:			
Community Development Block Grant	14.219	02-305-PF-01	\$ 81,414
Community Development Block Grant	14.219	02-305-EM-01	53,400
Pass-through program from Mississippi Department			
of Economic and Community Development:			
HOME Investment Partnerships	14.239	M01-SG-28-01-0981	<u>109,869</u>
Total U.S. Department of Housing and Urban Development			<u>244,683</u>
Direct program:			
U.S. Department of Agriculture & Conservation			
Drainage and Erosion Improvement	10.902		<u>161,431</u>
Total U.S. Department of Agriculture & Conservation			<u>161,431</u>
Total expenditures of federal awards			<u>\$ 406,114</u>

**CITY OF PORT GIBSON, MISSISSIPPI**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED SEPTEMBER 30, 2003**

**NOTE A. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Port Gibson, Mississippi and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**CITY OF PORT GIBSON, MISSISSIPPI  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED SEPTEMBER 30, 2003**

**FINDINGS - FINANCIAL STATEMENT AUDIT**

**NONE**

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**NONE**

## **SECTION II - INTERNAL CONTROL AND COMPLIANCE**





**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Board of Alderpersons  
City of Port Gibson  
Port Gibson, Mississippi

We have audited the general purpose financial statements of the City of Port Gibson, Mississippi, as of and for the year ended September 30, 2003, and have issued our report thereon dated November 30, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the City of Port Gibson's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Port Gibson's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Port Gibson's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements.

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Honorable Mayor and Board of Alderpersons  
City of Port Gibson

Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 03-01.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control structure over financial reporting that we have reported to the management of the City of Port Gibson, Mississippi, in a separate letter dated November 30, 2003.

This report is intended solely for the information and use of management, others within the organization, Mississippi State Department of Audit and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Maug & Company*

Vicksburg, Mississippi  
November 30, 2003



**REPORT ON COMPLIANCE WITH REQUIREMENTS**  
**APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL**  
**OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor and Board of Aldermen  
City of Port Gibson  
Port Gibson, Mississippi

**Compliance**

We have audited the compliance of the City of Port Gibson, Mississippi, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2003. The City of Port Gibson's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Port Gibson's management. Our responsibility is to express an opinion on the City of Port Gibson's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Port Gibson's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Port Gibson's compliance with those requirements.

In our opinion, the City of Port Gibson, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2003.

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Honorable Mayor and Aldermen  
City of Port Gibson

Internal Control Over Compliance

The management of the City of Port Gibson, Mississippi is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Port Gibson's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, Mississippi State Department of Audit, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Mays & Company*

Vicksburg, Mississippi  
November 30, 2003

**CITY OF PORT GIBSON, MISSISSIPPI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2003**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the general-purpose financial statements of the City of Port Gibson, Mississippi.
2. One reportable condition was disclosed during the audit of the financial statements and reported in the Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. This reportable condition was not considered a material weakness.
3. No instances of noncompliance material to the financial statements of the City of Port Gibson, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No reportable condition in internal control over major federal award programs were reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133. Therefore, there are no material weaknesses.
5. The auditor's report on compliance for the major federal award program for the City of Port Gibson expresses an unqualified opinion on all major federal program.
6. No audit findings relative to the major federal award program for the City of Port Gibson are reported in this Schedule.
7. The programs tested as a major program included: Home Investment Partnerships, CFDA 14.239 and Community Development Block Grant, CFDA 14.219.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The City of Port Gibson was not determined to be a low-risk auditee.

Continued

**CITY OF PORT GIBSON, MISSISSIPPI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
YEAR ENDED SEPTEMBER 30, 2003**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**REPORTABLE CONDITIONS**

**03-1 Segregation of Duties**

Condition:

Presently, all accounting functions are performed by one individual, which limits segregation of duties.

Criteria:

Controls should be in place to separate incompatible duties.

Effect:

The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. The result is the danger that intentional or unintentional errors could be made and not detected.

Recommendation:

Due to the size of the City, it may not be cost effective to hire additional personnel. The Mayor and Aldermen need to continue to approve payables during their monthly meetings. In addition, someone within this group should periodically receive and review the bank statements and canceled checks before turning them over to the City Clerk to prepare the bank reconciliations.

Response:

The Mayor and Aldermen are aware of the situation and will continue to monitor the transactions of the City.

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS  
AUDIT**

NONE



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**REPORT OF INDEPENDENT AUDITORS  
ON COMPLIANCE WITH LAWS  
AFFECTING MISSISSIPPI MUNICIPAL GOVERNMENT**

Honorable Mayor and Board of Alderpersons  
City of Port Gibson  
Port Gibson, Mississippi

We have audited the general purpose financial statements of the City of Port Gibson, Mississippi as of and for the year ended September 30, 2003, and have issued our report thereon dated November 30, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of those procedures and our audit of the general purpose financial statements disclosed the following material instances of noncompliance with state law and regulations. Our findings and recommendations and your responses are as follows:

**Budget Violations** – The City is in violation of Section 21-35-25 of the Mississippi Code of 1972, which requires budgets to be amended when actual expenditures will exceed budgeted amounts. The City did not amend their budget for some funds in which expenditures exceeded budgeted amounts by 10%.

**Recommendations:** The City Clerk, Mayor and Alderpersons should regularly review the monthly financial reports for potential budget violations and amend the budget before any violations occur.

**Response:** During fiscal year 02-03, the City was in the process of assuming full bookkeeping functions due to the implementation of the new GAO independence rules. Monthly financial statements were delayed with the learning curve on new software and assumption of additional duties being handled by City personnel. It is anticipated that the delays caused by these changes will not continue into the next fiscal year and timely amendments will be approved.

**Monthly Financial Statement Report** – The City is in violation of Section 21-35-13 of the Mississippi Code of 1972, which requires that the municipal clerk submit monthly to the board a report of expenditures against each budget item for the preceding month and fiscal year to date and the unexpended balances of each budget item.

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**Monthly Financial Statement Report – Continued**

Recommendations: The City Clerk, Mayor and Alderpersons should regularly review the monthly financial reports to determine the financial status of the City.

Response: During fiscal year 02-03, the City was in the process of assuming full bookkeeping functions due to the implementation of the new GAO independence rules. Monthly financial statements were delayed with the learning curve on new software and assumption of additional duties being handled by City personnel. It is anticipated that the delays caused by these changes will not continue into the next fiscal year and timely amendments will be approved.

**Travel Authorized** – The City is in violation of Section 25-3-41 of the Mississippi Code of 1972, which requires that advance of funds for travel be supported by receipts of transportation, lodging, meals, fees and any other expenses incurred during the travel. Any portion of the funds advanced which is not expended during the travel shall be returned by the employee.

Recommendations: The City official/employee, upon returning from the conference or convention, should complete an expense sheet detailing out the use of funds and attach supporting documentation for each expenditure. The City Clerk should review the expense sheet to determine if the supporting documentation is present and mathematically check the form. Any discrepancies should be brought to the Mayor's attention and follow up with the city official/employee should be made.

Response: The City feels that the differences noted in the current year audit were isolated. The process of reviewing travel advances will be reviewed and modifications, if necessary, will be implemented.

**Physical Inventory of City's Fixed Assets** – A physical inventory of the City's assets has not been prepared.

Recommendations: In accordance with the Municipal Audit and Accounting Guide, fixed assets of the municipality should be tagged and accounted for at least annually. In anticipation of GASB 34 compliance and to better manage the City's assets, the City should delegate to a team of City employees the job of completing a physical inventory and preparing a physical inventory report in accordance with State of Mississippi Guidelines.

Response: The City will begin the process of performing a physical inventory of all assets. Sufficient data will be obtained on each asset to efficiently track assets throughout their life as well as begin the process of accumulating depreciation for compliance with GASB 34.

The Office of the State Auditor or a public accounting firm will review, on a subsequent year's audit engagement, the findings in this report to ensure that corrective action has been taken.



Honorable Mayor and Board of Alderpersons  
City of Port Gibson  
Port Gibson, Mississippi

This report is intended for the information of the City's management and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Mayer Company*

Vicksburg, Mississippi  
November 30, 2003

### **SECTION III - MANAGEMENT LETTER**



Honorable Mayor and Board of Alderpersons  
City of Port Gibson  
Port Gibson, Mississippi

In planning and performing our audit of the general purpose financial statements of the City of Port Gibson, Mississippi, for the year ended September 30, 2003, we considered the City's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the general purpose financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency, these items are listed below. A separate report dated November 30, 2003, contains our report on reportable conditions in the City's internal control. This letter does not affect our report dated November 30, 2003, on the general purpose financial statements of the City of Port Gibson, Mississippi.

#### **Cash reconciliations**

##### **Timely preparation**

In order to make the financial reports generated by the accounting system as meaningful as possible, the City should reconcile the general ledger accounts for all cash to supporting documentation on a monthly basis. During our audit, it was noted that three cash accounts were not reconciled and two of these accounts were not listed on the City's general ledger. A benefit of monthly reconciliations is that errors do not accumulate but can be identified and attributed to a particular period, which makes it easier to perform future reconciliations. A cash reconciliation that reconciles from the bank balance to the general ledger balance should be prepared to determine that all cash transactions have been recorded properly and to discover bank errors.

##### **Approve and Then Set Up a File for All Bank Reconciliations**

At present, the details of the bank reconciling items are not kept in a centralized location. Further, there is no indication that a responsible official reviews or approves the reconciliation prepared. We recommend that a file be set up for the bank reconciliations together with detailed lists of all reconciling items, and that the reconciliations be preserved. The reconciliations should be reviewed and approved by an appropriate official. As a prompt to the reviewer/approver to sign the reconciliation, preprinted reconciliation forms could include a signature block with space for the signatures, or a stamp with a signature block could be applied to the reconciliations.

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Honorable Mayor and Board of Alderpersons  
City of Port Gibson  
Port Gibson, Mississippi

### **Cash reconciliations - continued**

#### **Investigate Differences between the Bank Statement Balance and the General Ledger**

We noted that in some bank reconciliation, there is a small difference between the bank balance and the general ledger. It is important for all cash accounts be reconciled to the penny. Unreconciled differences that appear immaterial can obscure significant but offsetting items (such as bank errors or improperly recorded transactions) that would be a cause for investigation if the items were apparent. Also, if small differences are not reconciled on a monthly basis, over time, they can build up to a significant amount that will be difficult to reconcile. In preparing the bank reconciliations, all items should be investigated and corrected in that period.

### **Reconcile Intercompany Accounts Monthly**

Our audit procedures revealed that several of the intercompany accounts and transfers between funds were not in agreement and had not been reconciled in some time. As a result, a substantial amount of time was spent to reconcile these accounts. We believe that it would be more efficient to reconcile the accounts on a monthly basis rather than just at year-end, and we recommend that the City do so.

### **Collateralization Form from State**

We noted during our audit procedures that the City had not reviewed the quarterly collateralization form submitted by the State Treasurer. Discrepancies were noted which included such items as not all City owned funds being listed, as well as incorrect bank balances being submitted by the respective financial institutions that handle the City's funds. We recommend that upon receipt of the collateralization form that an appropriate level of City personnel review the form for accuracy. A signature with a date should be required on the form to document this process. Discrepancies should be reported to the State of Mississippi Treasurer in writing, as well as notification to the Mayor and bank. Such a process would ensure that City funds have full insurance coverage or collateral securitization and thus reduce the City's risk of loss.

### **Vehicle Titles**

We noted that some titles of vehicles were located in vendor files. This document is the City's source of ownership and is critical upon sale or trade-in. We recommend that such documents be kept in a fire proof vault in case of fire/theft.

Honorable Mayor and Board of Alderpersons  
City of Port Gibson  
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### **Inventory Fixed Assets**

We recommend that the City perform a physical inventory of property and equipment. In connection with this inventory, tags should be placed on each asset with numbers that are recorded in the detail property records. This will help improve the tracking of assets for disposal and impairment purposes. In addition, in the fiscal year ending September 2004, the City would need to adopt GASB Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. This statement will make dramatic changes to the way state and local governments report their finances to the public. One major aspect of this statement will require capitalization of infrastructures with related depreciation.

### **Payment of Invoices by Due Dates**

The accounts payable system has the capability of listing payables by their due dates. However, the information is not being used. We recommend that the integrated accounting software package be used to track due date information. This will ensure that the vendors’ terms are being met and maximized. Special attention should be made to paying the sales tax received on utility customers in a timely basis. We noted during our audit that some payments were two months in arrears.

### **Fuelman Purchases**

As noted in prior year, employees are not properly following procedures to ensure accurate tracking of fuel purchases through the Fuelman system. Examples include incorrect odometer readings, no odometer reading entered, or switching of cards between automobiles. We recommend another training program for applicable employees of the City on proper usage of cards by a Fuelman representative.

### **Correctly Code Expenditures**

During our review of certain payroll withholding accounts, we noted some inconsistencies in account coding of these withholdings. The errors were not material; nevertheless, to make the monthly financial statements a meaningful analysis tool, care should be taken to properly and consistently classify the disbursement. The correct coding of all expenditures and voided checks is essential for accurate and useful financial statements.

### **Water Department**

#### **Water adjustments**

As noted in prior year, adjustments for water usage are presently only being made to dollar amounts. When the water clerks enter adjustments in dollars, we also recommend that they adjust the gallons charged. This will provide an audit trail for per gallon calculations, as well as determination by management of the water department of water shortage.

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**Water Department - continued**

**Refund of deposits from utility customers**

A discussion needs to be conducted with the utility software supplier for the proper entering of transactions involving refunding of customers deposits as well as acceptance of deposits for a new customer or returning customer. If the transaction is entered properly at the origin then we feel that the software presently being utilized by this department would keep a more accurate listing of customer deposit liabilities.

**Allowance approval**

Per review of the transaction edit list, we noted that several accounts were made inactive during the year. It is recommended the Mayor and Alderman approve this procedure in the minutes prior to a clerk recording it in the utility system. Upon notification of approval by the Board, the clerk should enter the transaction in such a way that if the customer continues using the City's water or returns to the utility system this balance could be collected prior to resuming services.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various City personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.



Vicksburg, Mississippi  
November 30, 2003